

## DHRUV RATHEE:

### INFLATION:

**Inflation** : it means decrease in the value of money and increase in the value of product.

Why this inflation occurs?

- **DEMAND PULL INFLATION:** This occurs due to economic boom when people have more money in their hand and thus they will have more capacity to buy things and thus demand will increase and supply will be constant and hence prices will increase and hence value of money will decrease and companies will increase the prices of their commodities.
- **COST PULL INFLATION** (increase in the price of the raw materials): When taxes imposed by the government is increased and when the cost of the manufacturing goods increases and hence there is increase in prices to help them earn profit.
- **WAGE PUSH INFLATION** (increase in the salary of the employees): due to the low employment ratio in india so companies cant leave their employees so easily, hence the salary of the employee increases in the long run and hence this causes inflation.
- **CURRENCY DEPRECIATION:** For printing more notes by the RBI, the value of money decreases and hence this can even lead to hyper-inflation. Generally 10% inflation is considered hyperinflation.

For EXAMPLE: IN 2016-2019, VENEZUELA faced an hyper-inflation, ZIMBAWE in 2008 faced hyper-inflation due to which they had to print 1 million \$, 1 billion\$, 1 trillion \$ notes and the value of that 1 trillion \$ note was same as 1 US \$.

In Present day, no demand pull inflation and hence inflation goes down as people has no money to spend and hence some governments are proposing to go for more printing of notes.

- NO INFLATION MEANS - NO RISE IN EMPLOYEMENT - NO DEMAND OF GOODS -NO INTENSION OF PEOPLE TO LOSE THEIR MONEY.
- REDUCED SPENDING - BUSINESS START TO MAKE LOSES - UNEMPLOYEMENT.

- *UNEMPLOYMENT - INVERSELY PROPORTIONAL - INFLATION(\*\* under certain circumstances)*

*High inflation - hyper inflation*

*Low inflation - unemployment*

*In developed countries - optimal level of inflation - [+/- 2%]*

*In developing countries(like India ) - [4 +/-2%]*

*RBI controls inflation with its interest rate( the rates at which it lends money to the banks) called REPO RATE.*

- *LOWER REPO RATES - BANKS DECREASE IN ITS INTEREST RATE - MORE MONEY IN CIRCULATION - HIGH INFLATION.*

*HOW DIFFERENT DECISIONS CAN IMPACT THE RATE OF INFLATION:-*

- *HIGH PRODUCTION OF NOTES = INCREASE IN INFLATION*
- *HIGHER TAXES = DECREASE " "*
- *GOVERNMENTS LESS / MORE SPENDING CAN CONTROL INFLATION.*

*STAGFLATION: Where there is a recession but increase in inflation occurs.  
Example: cost pull inflation around the world.*

*Example : increase in production due to technological boom causing the great deflation where the supply increases and demand remains same but there is economical boom as well as it happened in USA - 1870-1890.*

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## HOW TO SAVE TAXES ?

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**Deduction of taxes can be done by investing in certain markets according to SECTION 80C (ACCORDING TO SEC 80C, DEDUCTION ON TOTAL AMOUNT INVESTED UP TO 1.5 LAKHS CAN COST YOU NO TAXES IN CERTAIN FARMS ) =**

**1. EPF( EMPLOYMENT PROVIDENT FUND ) –**

**Eligibility = all salaried, self – employed people;**

**Your basic salary –**

- **12% by you in EPF – no tax till 1.5 lakhs**
- **12% by employer in EPF – no tax**

**Returns on EPF = 8% ( FY 2017-2018)**

Period for which you should invest = 5+ years

HOW TO INVEST IN EPF?

- Ask the employer to register you for EPF.
- Ask for UAN number
- 2. PPF( public provident fund )( 15 years is the lock period )

Everyone can invest here.

RS 1.5L PER YEAR is the amount you can invest AND THE RETURNS IS 7.6 %

- GENERALLY THE GOVT DECIDES THE EPF AND PPF RATE PER FY.

For example : in PPF you invest – Rs 1.5L per year for 10 years – Total money invested = 15L = Total returns = 23L( with no tax )

HOW TO INVEST IN PPF?

GO to any post office/ Designated bank

ADVANTAGES OF A PPF ACC:

- VERY SAFE FOR THE PRESENCE OF THE GOVT
- INDEPENDENT OF THE HAPPENINGS OF THE MARKET
- RISK IS 0.
- 3. ELSS ( EQUITY LINK SAVING SCHEME )

It depends upon the market returns, eg: some ELSS has given 15 – 20% returns for the past 5 years ( 2019)

INVEST IN ELPP BY THE GROWW APP

THE lock in period in ELPP is 3 years.

- 4. Life insurance.

SECTION 80DA : IF YOU SPEND RS 50K PER YEAR IN HEALTH INSURANCE, THUS YOU CAN SAVE TAX

SECTION 80TTA: SAVINGS ACCOUNT – NO TAX TILL RS 10K FOR INTEREST FROM SAVINGS ACCOUNT.

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## WHAT ARE MUTUAL FUNDS?

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WAYS TO INVEST IN INDIA :

- SAVINGS ACC
- FDs
- REAL ESTATE
- GOLD
- STOCK MARKET

Any investment has 3 things :

- Return( % should be greater than inflation )
- Risk
- Time ( for which it is invested )

The proportionality:

- Return – time - risk ( how much risky the investment )

WHICH INVESTMENT IS BEST ?

1. SAVINGS ACC:

- LOW RISK
- NO TIME RESTRICTION
- LOW RETURNS(4%)

2. FDs:

- VERY LOW RISK
- TIME RESTRICTION
- HIGH RETURNS( 6-8%)

3. GOLD :

- HIGH RISK
- LOW RETURNS/ MARGINAL RETURNS

BASICALLY GOLD HAS VOLATILE RETURNS OVER THE YEARS( THE VAL OF GOLD GENERALLY